

"For Tobacco Stocks, a Session of Surges"
New York Times (11/24/98) P. C8; Hays, Constance L.

The signage Monday of the national tobacco litigation settlement resulted in the rise of the leading tobacco firms' stocks. Philip Morris gained \$2.50 per share to \$58.25. RJR Nabisco Holdings increased \$1.1875 to \$31.625, Loews added \$3.0625 to \$104.375, and Brooke Group gained \$6.4375 to \$17.4375.

Although the settlement concludes a significant amount of legal uncertainties, other elements that could have a strong impact on tobacco stocks are still unresolved, including a class action lawsuit pending before Florida's Supreme Court that charges leading cigarette firms of causing health ailments.

Analysts are worried as well about the impact that price hikes will have on cigarette sales. Although cigarette price increases are expected to be partly countered by discounting, they will almost definitely mean lower sales in the short term. Another large expense is promotional spending, which Goldman Sachs & Co.'s Marc Cohen notes has surged over the past year and reveals no signs of lessening. Questions concerning spinning off the food units of Philip Morris and RJR Nabisco appear to be stalled pending resolution of the Florida suit and other matters. Lastly, Philip Morris' decision to purchase three of Liggett Group's cigarette brands could, at least according to one analyst, result in a significant realignment in the industry, since it could indicate another corporate raid on RJR. Related

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Story: Wall Street Journal (11/24) P. C2